MICHAEL RODAK, JR.

Supreme Court of the United States

No. 73-900

October Term, 1973

LIBBEY-OWENS-FORD COMPANY,
Petitioner,

vs.

SHATTERPROOF GLASS CORPORATION,
Respondent.

PETITION FOR A WRIT OF CERTIORARI
To the United States Court of Appeals
For the Sixth Circuit

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PETITION FOR A WRIT OF CERTIORARI
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For the Sixth Circuit

Petitioner respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Sixth Circuit.

OPINIONS BELOW

The opinion of the District Court was filed on May 18, 1972 (Appendix A, p. A1). The District Court also issued a supplemental opinion on May 22, 1972 (Appendix B, p. A11). The opinion of the Court of Appeals reversing the judgment of the District Court and remanding the case back to the District Court for further proceedings was handed down on July 31, 1973 (Appendix C, p. A12).

JURISDICTION

The judgment of the Court of Appeals was entered on July 31, 1973 (Appendix D, p. A27). Petitioner filed a petition for rehearing on August 13, 1973, which was denied by the Court of Appeals without opinion on September 14, 1973 (Appendix E, p. A28). The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

QUESTIONS PRESENTED

Respondent filed suit to recover royalties paid on the ground that petitioner had breached its license agreement with respondent because it had granted a license to use the same patents on more favorable terms or rates of royalty to another licensee. The District Court ordered that the complaint be dismissed. The Court of Appeals reversed and remanded the case for an additional hearing.

Did the Court of Appeals err:

(1) in holding that petitioner had the burden of proof of showing that the license granted to a third party was not on more favorable terms than the license to respondent; and

(2) in setting aside findings of fact of the District Court which were not clearly erroneous, and were not determined to be clearly erroneous.

STATEMENT

Petitioner, Libbey-Owens-Ford Company (L-O-F) is an Ohio corporation, which for many years has been engaged in the production of glass and glass products of

various kinds. One of its important products involves the manufacture of glass for use in the windshields, side lights and back windows of motor vehicles. Initially the glass consisted of a single sheet, which was vulnerable to breakage and potential resultant injury to operators and passengers in motor vehicles. This problem was to a considerable extent overcome with the development of laminated glass, popularly known as "safety" glass, which was made by the laminating, or gluing together, of two or more sheets of glass into a single unit.

A process for producing laminated glass was developed and patented by a British company whose American subsidiary, Triplex Corporation of North America, in 1927 granted Ford Motor Company a royalty-free license under its patents, and improvements thereon, and agreed to furnish Ford a portion of Ford's requirements for safety glass. In the contract, Ford agreed to grant Triplex a royalty-free license under any improvements it might make in the art of laminating glass.

In order to engage in the business of producing laminated glass, L-O-F undertook to acquire the Triplex patents, a step which could be accomplished only with the consent of Ford, by reason of the Ford-Triplex agreement of 1927. In consequence, L-O-F and Triplex entered into agreements in 1931 whereby L-O-F purchased the Triplex business and the Triplex laminating patents, and Ford consented thereto, on the condition that it would not only continue to have a royalty-free license under the Triplex laminating patents but would also have a royalty-free license under any L-O-F patents relating to the manufacture of laminated glass and articles of such glass. In exchange, Ford agreed to grant L-O-F a similar license under improvements made by it.

Shortly after World War II, L-O-F developed processes and devices whereby sheets of glass could be bent, or produced in curved forms, and patents were issued to L-O-F covering such developments. Ford also began to produce bent laminated glass, and at first disputed liability for infringement of L-O-F's bending patents on the basis of the 1931 royalty-free cross-license and also asserting such defenses as non-infringement and invalidity. Ford ultimately paid L-O-F $400,000 for a release of all infringement claims prior to 1961, and took a license under certain L-O-F bending patents, thereafter paying more than $700,000 to L-O-F as royalties for such license.

Respondent, Shatterproof Glass Corporation (Shatterproof), a Michigan corporation, was then engaged in the business of fabricating glass sheets, which it bought from L-O-F and other glass manufacturers, into safety glass for automotive use. Desiring to make bent safety glass products for that market, Shatterproof requested a license from L-O-F, and the license agreement on which this suit is based was entered into between L-O-F and Shatterproof on May 19, 1955. Under this agreement, L-O-F granted a license under specified patents and applications then owned by it. Shatterproof paid L-O-F a total of $518,639.60 as royalties pursuant to that agreement.

Paragraph 11 of the license agreement contained a so-called "most favored nations" clause which reads as follows:

> "11. LIBBEY-OWENS-FORD agrees that if any license heretofore or hereafter granted by it under any one or more claims of the licensed patents contains any more favorable terms or rates of royalty than granted to LICENSEE hereunder, then LICENSEE shall thereupon have the benefit of such more favorable terms or

rates for the same claim or claims, but under no other claims of any of the licensed patents. LIBBEY-OWENS-FORD shall promptly notify LICENSEE of each license granted by it to others that includes any patent or patent claim licensed under this agreement and shall upon request, make available to counsel for LICENSEE, a complete copy of such agreement for inspection."

On April 12, 1968, Shatterproof filed this action claiming that L-O-F had breached the above "most favored nations" clause and requesting a refund of part or all of the royalties paid. On April 21, 1971, Shatterproof filed an amended complaint relying in part on the ground that the 1931 license from L-O-F to Ford covered the bending patents licensed to it in 1955 and contained more favorable terms or rates of royalty.

After a trial lasting two days before the District Court, sitting without a jury, the District Court entered an order dismissing the complaint.

The Court found that the 1931 cross-license agreement between L-O-F and Ford covered only laminating patents, and did not include any patents subsequently developed relating to bending glass which were licensed to Shatterproof. The Court further determined that in any case the 1931 agreement with Ford was not on more favorable terms or rates of royalty than were granted by L-O-F to Shatterproof, because the terms of the L-O-F license to Ford included the grant by Ford of a cross-license to L-O-F and the consent by Ford to the acquisition by L-O-F of the Triplex patents. The Court also made a number of other findings that are not in issue here.

The Court of Appeals reversed the judgment of the District Court, and set aside the findings that the 1931

license did not cover the patents licensed to Shatterproof and that the 1931 license to Ford did not contain any more favorable terms or rates of royalty. The Court directed that the case be remanded to the District Court for hearing on the question of the value of the consideration L-O-F had received in exchange for the grant by L-O-F of a royalty-free license to Ford. The Court ruled that if L-O-F received consideration of less value than the license which Ford received from L-O-F, the license to Ford was on more favorable terms than the license from L-O-F to Shatterproof and in such case Shatterproof was entitled to a refund of the excess royalties it had paid.

The Court further held that upon remand L-O-F, not Shatterproof, would have the burden of proof on the question whether the license to Ford was on more favorable terms or royalty rates. The Court stated that L-O-F was in a better position to evaluate the consideration paid than Shatterproof, and found that it would be placing an unfair and unrealistic burden on Shatterproof to require it to bear the burden of proof. No question concerning the burden of proof had been raised by Shatterproof in the briefs and the point was not discussed in oral argument. The Court's assumption that L-O-F could more readily bear the burden of proof is not supported by the record.

L-O-F filed a petition for rehearing, pointing out that this ruling as to the burden of proof was contrary to Ohio law, had not been determined by the District Court and had not been briefed by the parties. L-O-F also pointed out that under Rule 52(a) the District Court's findings of fact could not be set aside unless clearly erroneous, and that the District Court's findings with respect to the scope of the 1931 Ford/L-O-F agreement and the patents covered were not clearly erroneous. The Court of Appeals denied the rehearing without any explanation.

REASONS FOR GRANTING THE WRIT

Petitioner submits that a writ of certiorari should be granted in this case pursuant to the provisions of Rule 19(1)(b), since the Court of Appeals decided an important question of state law in a way in conflict with the applicable state law, decided a federal question in a way in conflict with applicable decisions of this Court, and has departed so far from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

1. The Court ignored Ohio law in determining that L-O-F should bear the burden of proof, and decided an issue which had not been presented by the parties.

The determination by the Court of Appeals on the first question presented in this case is best indicated by the following quotation from the opinion of the Court of Appeals, after finding that the value of the consideration received by L-O-F under the 1931 license to Ford should be compared to the consideration received by L-O-F from Shatterproof (Appendix C, pp. A24-25).

> "At this point a question arises concerning where the burden of proof lies. Under the general rule, Shatterproof, as plaintiff, had the burden of proving that LOF had breached its contract. Shatterproof has shown that LOF failed to notify it concerning the 1931 license to Ford and that the 1931 license included patents which had been licensed to it. See *St. Joseph Iron Works v Farmers Mfg. Co.*, 106 F.2d 294 (4th Cir. 1939). The remaining element of proof relates to whether the license to Ford was at more favorable

terms or royalty rates. The evaluation of the considerations paid and the allocations of the payments to the various patents can be done much more readily by LOF. We find that it would be placing an 'unfair and unrealistic burden' on Shatterproof to require it to prove that other licensees were given more favorable royalty terms. *Erving Paper Mills v Hudson-Sharp Machine Co.*, 332 F.2d 674, 677 (7th Cir. 1964), cert. denied, 379 U.S. 946 (1964). 'The ordinary rule, based on considerations of fairness, does not place the burden upon a litigant of establishing facts peculiarly within the knowledge of his adversary.' *United States v New York, New Haven & Hartford R.R.*, 355 U.S. 253, 256 n. 5 (1957); *United States v Hayes*, 369 F.2d 671, 676 (9th Cir. 1966); *Erving Paper Mills v Hudson-Sharp Machine Co.*, 332 F.2d 674, 678 (7th Cir. 1964), cert. denied, 379 U.S. 946 (1964). On remand, therefore, LOF will have the burden of proving that Ford was not given a license to use any of the patents licensed to Shatterproof under more favorable terms or royalty rates. If it is found that Ford's terms were more favorable, Shatterproof will be entitled to a refund of excess royalties paid for its license."

In relying on the cases cited in the above quotation, the Court failed to take into consideration the well established principles that the burden of proof is a matter of substantive law, and that in a diversity case in the federal courts the question is governed by local law; *Palmer v. Hoffman*, 318 U.S. 109 (1943). Accordingly, *United States v. New York, New Haven & Hartford R.R.*, 355 U.S. 253 (1957) and *United States v. Hayes*, 369 F.2d 671 (9th Cir. 1966) have no application, because they were not diversity cases, but involved claims by and against the United States.

In *Erving Paper Mills v. Hudson-Sharp Machine Co.*, 332 F.2d 674 (7th Cir. 1964), these principles were recognized and applied in a diversity case, in which the court was concerned with a provision in the Wisconsin Statute of Frauds to the effect that the statute did not apply to an oral contract for the sale of goods to be manufactured by the seller especially for the buyer, and are not suitable for sale to others in the ordinary course of the seller's business. The court held as a matter of statutory interpretation that the burden of proof as to whether the machine that was the subject of the contract in question was an article that was suitable for sale to others in the ordinary course of seller's business was a question as to which the seller had the burden of proof. In reaching this conclusion, the court recognized that the law of Wisconsin applied, but in the absence of any Wisconsin authority the court looked to the underlying policies involved and the law in other jurisdictions. Unlike the Court of Appeals in this case, the court acknowledged that it was dealing with a diversity case and did not attempt to rely on precedent dealing with so-called federal common law.

This action was filed in a district court in Ohio under the diversity jurisdiction of the court, and because the burden of proof is a matter of substantive law, the question is to be determined by reference to the law of Ohio.

Under Ohio law the burden of proof is placed upon the person who asserts the claim, notwithstanding the fact that the other party may have more ready access to the sources of proof, and on this basis Shatterproof retains the burden of proof. This principle was applied in *Rea v. Fornan*, 26 Ohio Opinions 485 (Court of Appeals, Franklin County, 1942), appeal dismissed 140 Ohio St. 546. In this case, plaintiffs claimed title to property as collateral heirs of a decedent, asserting the decedent had not married

another claimant to his property. The court held that the plaintiffs had the burden of proving that the decedent was not married to such other claimant, even though "this rule would place upon a claimed heir the burden of proving a negative and require making inquiry in every county of the United States and all foreign countries". The court held that the burden of proof was on the person who holds the affirmative in any controverted question and once the burden of proof is established it never changes, and that the difficulty in procuring evidence does not change the burden of proof (pp. 487-488).

Ohio cases have consistently supported the principle that the burden rests upon plaintiff to establish the material averments of his cause of action by the preponderance of all the evidence, and that this burden never shifts. *Brunny, Admx. v. Prudential Insurance Company of America,* 151 Ohio St. 86, 93 (1949). See also *Zafires v. Peters,* 160 Ohio St. 267, 271 (1953), where the court held that one who seeks relief by judicial process must present proof of the basic facts essential to establish his right to such relief, or fail in his action.

The decision below ignores well established principles of Ohio law. If this decision is permitted to stand, petitioner will be faced with the burden of proof relating to the circumstances underlying an exchange of licenses between L-O-F and Ford more than 40 years ago. Obviously, this would be a difficult burden, whichever party must bear it, but that is no justification for imposing it upon a party contrary to applicable state law. This burden properly rests with Shatterproof as plaintiff, not with L-O-F as defendant. The decision will also serve as a precedent in the Sixth Circuit as to the burden of proof in diversity cases, without regard to the applicable state law, permitting federal courts to shift the burden of proof in breach of con-

tract cases to the defendant whenever ill-defined notions of equity or assumed accessibility to sources of proof suggest that this should be done.

2. The Court below ignored the plain mandate of this Court in setting aside findings of fact which were not clearly erroneous and were not determined to be clearly erroneous.

The writ should also be granted since the Court of Appeals has violated the plain mandate of this Court under Rule 52(a) of the Federal Rules of Civil Procedure by exercising its own independent judgment on the issues presented, and in setting aside findings of fact of the District Court because the appellate court came to a different conclusion. In *Commissioner of Internal Revenue v. Duberstein*, 363 U.S. 278 (1960), this Court reversed the judgment of the Court of Appeals for the Sixth Circuit, holding that the "clearly erroneous" standard of Rule 52(a) was applicable to factual inferences from undisputed facts, and accordingly set aside a determination by the Tax Court that a taxable gift had been made.

In the present case the Court of Appeals followed the same approach as in their *Duberstein* ruling which was reversed by this Court, and ignored the legal standard that it was obliged to follow by virtue of this Court's decision in *Duberstein*. The Court did not specifically discuss the question of the standard to be applied in reviewing these findings of fact under Rule 52(a), but apparently relied upon its prior decision in *University Hills, Inc. v. Patton*, 427 F.2d 1094, 1099, that the Court was entitled to make an independent determination as to the inferences to be drawn from the documents introduced in evidence, and was not bound to accept the findings unless "clearly er-

roneous." In that case, two of the same judges who participated in the present case specifically held that the "clearly erroneous" standard did not apply to the interpretation of "written contracts, conclusions of law, mixed questions of fact and law, and findings as to an ultimate fact" citing the prior decision of the Sixth Circuit in *Cordovan Associates, Inc. v. Dayton Rubber Co.*, 290 F.2d 858 (1961), but making no reference to *Duberstein*.

Petitioner submits that the same erroneous standard was applied in the present case, and this error should be corrected. Thus, in setting aside the finding of the District Court that the 1931 license to Ford covered only laminating patents, as distinct from bending patents, the Court of Appeals merely stated that "We disagree with this interpretation of the agreement" (App. C, p. A20). In setting aside the finding of the District Court that the 1931 license to Ford did not include the Pearse patent, the Court of Appeals merely stated that "We do not find the wording of the agreement ambiguous" (App. C, p. A20). In neither instance did the Court determine that these findings of the District Court were clearly erroneous. In each instance there was substantial evidence, based on undisputed basic facts, to support the District Court's findings.

CONCLUSION

Because the issue with regard to the burden of proof is a simple one, fully comprehensible from the opinion below and this petition, it is suggested that the Court may deem it appropriate to grant certiorari and, without further briefs or oral argument, remand the case for a determination under Ohio law by the District Court as to which party should bear the burden of proof. This procedure as to summary remand was followed in *Federal Trade Commission v. American Crayon Co.*, 350 U.S. 912, 352 U.S. 806.

In the event that this Court grants the petition for certiorari and wishes to have briefs and arguments on both questions presented, petitioner will show that the findings of fact of the District Court were not clearly erroneous and should not have been set aside.

Respectfully submitted,

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APPENDIX A

Opinion and Order of the District Court

(Filed May 18, 1972)

No. C 69-71

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

SHATTERPROOF GLASS CORP.,
Plaintiff,

vs.

LIBBEY-OWENS-FORD CO.,
Defendant.

OPINION AND ORDER

WALINSKI, *J.*:

This is a breach of *contract* action filed by the plaintiff Shatterproof Glass Corporation (hereinafter 'Shatterproof'), a Delaware corporation with its principal place of business in Detroit, Michigan, against the defendant Libbey-Owens-Ford Company (hereinafter 'L-O-F'), an Ohio corporation whose principal place of business is in Toledo, Ohio.

This Court has jurisdiction in this matter under 28 U.S.C.A., § 1332(a), by way of diversity of citizenship of the parties and the amount claimed. Venue is proper in the Northern District of Ohio, Western Division, sitting in Toledo, Ohio.

On May 19, 1955, L-O-F and Shatterproof entered a license agreement (PX-1)[1], whereby Shatterproof was given a non-exclusive license, effective January 1, 1954, under a number of patents held by L-O-F as set forth in PX-1, Schedule A.

The subject matter of the license and patents is the manufacturing, bending, tempering and shading of glass, principally for automobile windshields (PX-13).

The application for the license was made pursuant to the mandate of an anti-trust, consent, decree entered on October 30, 1948, in Civil Action No. 5239 in this Court, involving L-O-F and others (PX-3). Section XIV of that judgment (hereinafter the 'Toledo Decree') required L-O-F to grant a non-exclusive license to any applicant under certain patents (too numerous to be listed here, but part of the 'Toledo Decree' PX-3), in which L-O-F was permitted to charge "a reasonable, non-discriminatory royalty," the amount of the royalty to be determined by the Court, *upon request of the applicant,* if the parties could not agree. (PX-3, §§ XIII A & B, XIV B & C). The Shatterproof license was issued pursuant thereto.

The object of the Toledo Decree was to equalize competition in the flat, laminated, and tempered glass fields generally. The patents in the Shatterproof license included some of those that were part of the Toledo Decree, but included many that were in the glass bending area, an expertise that was developing at the time of the Toledo Decree.

The Shatterproof/L-O-F license (PX-1, ¶ 11) contains a so-called 'favored nations' clause as follows:

---

1. The following abbreviations adopted by the parties will be used: PX refers to plaintiff's exhibits; DX refers to defendant's exhibits; TR refers to the transcript of testimony at trial; SB refers to Shatterproof briefs; LB refers to L-O-F briefs.

> "LIBBEY-OWENS-FORD agrees that if any license heretofore or hereafter granted by it under any one or more claims of the licensed patents contains any more favorable terms or rates of royalty than granted to LICENSEE hereunder, then LICENSEE shall thereupon have the benefit of such more favorable terms or rates for the same claim or claims, but under no other claims of any of the licensed patents. LIBBEY-OWENS-FORD shall promptly notify LICENSEE of each license granted by it to others that includes any patent or patent claim licensed under this agreement and shall upon request, make available to counsel for LICENSEE, a complete copy of such agreement for inspection."

It is the claim of plaintiff that L-O-F breached this portion of the agreement by allegedly granting Ford a royalty-free license through the devices of release, license, license/release, and general acquiescence in non-enforcement of alleged infringement. It is further claimed that a 1931-1950 royalty-free exchange of patents, regardless of subsequent agreements, represents the real relationship between L-O-F and Ford.

The legal question involved, based on the facts discussed herein, arises from Shatterproof's claim that the 'heretofore granted' and 'hereafter granted' language of the 'favored nations' clause (PX-1, ¶ 11), applied to the 1961 L-O-F/Ford license and the 1931-1950 L-O-F/Ford agreement, is in effect a covenant not to sue for past infringement, and is therefore a 'retroactive license' at more favorable rates to Ford, necessitating a full refund of all royalties paid by Shatterproof to L-O-F. It is a further claim that by not notifying Shatterproof of the 1931-1950 L-O-F/Ford agreement, L-O-F breached the 'favored na-

tions' requirement of disclosure of other licenses at rates more favorable than Shatterproof's.

Very extensive suggested findings of fact have been filed by both parties, and insofar as they agree on the agreements, dates, correspondence, patents and claims, the Court adopts them without a detailed repetition.

A chronological review of the various transactions, agreements, dates, licenses, etc., will help in understanding the impact on the parties:

October 17, 1927—Ford/Triplex agreement (DX-1).

December 4, 1931—L-O-F acquired Triplex rights by assignment (DX-2).

December 4, 1931—L-O-F/Ford agreement (PX-4) re: Triplex assignment, and royalty-free patent exchange relating to laminated glass manufacture; said agreement was modified and expanded by correspondence through 1950 (PX-4, DX-3, 4, 5, and 6).

October 30, 1948—Toledo Decree. Consent judgment in anti-trust litigation requiring L-O-F to grant non-discriminatory licenses to all applicants.

May 19, 1955—L-O-F/Shatterproof license effective January 1, 1954, including a release of infringement claims prior to January 1, 1954, an accounting of royalties due from January 1, 1954, to January 31, 1955, and a license under certain patents for the manufacture of automotive windshields. Negotiations began in March, 1952, culminating in the agreement (PX-5) April 13, 1962.

(The findings of fact filed by each party in the applicable parts will show conclusively that effective negotia-

tions went on between L-O-F and Shatterproof, and L-O-F and Ford, culminating in the 1955 and 1962 license agreements. The Court expressly finds that the negotiations in each case were difficult and particularly so in the L-O-F/Ford negotiations. The Court in no way finds any actions on the part of L-O-F that could be construed to be secret or fraudulent or expressly designed to deprive Shatterproof of any rights. The reading of some of the cases cited in both findings will show that Ford vigorously resisted any claims of infringement or any concessions in respect thereto, and generally, ended up in litigations and settlements taking long periods of time).

April 13, 1962—L-O-F/Ford agreements as follows:

(1) An L-O-F to Ford license (PX-5A) as follows:

Pearse	'297,	issued	9/28/48	½¢	sq. ft.	royalty
Jendrisak	'607	"	5/ 8/51	½¢	" "	"
Bamford	'647	"	7/28/53	½¢	" "	"
Walters	'209	"	5/22/56		royalty free	
Bamford	'287	"	1/20/59		"	"

(2) An L-O-F to Ford license for claim 8 of Jendrisak '607 (excepted from the prior license) for $40,000 with an agreed *release* for past infringement for $60,000 (PX-5C).

(3) A *release* from L-O-F to Ford for infringement prior to January 1, 1961, of the licensed patents above and others (see PX-5B, Schedule A).

The L-O-F/Ford agreements had the following effect on the L-O-F/Shatterproof agreements executed May 19, 1955, but effective January 1, 1954.

The lower royalty rates granted to Ford by L-O-F of ½¢ sq. ft. of product for Pearse '297, Jendrisak '607, and Bamford '647 under the 'favored nations' clause, made the same rates applicable to the Shatterproof license from the effective date of January 1, 1961.

This gave rise to a claim for a refund from L-O-F to Shatterproof (¶ 15 of Amended Complaint). The parties have determined the liquidated amount due as $80,436.61, which amount was paid to Shatterproof by stipulation as of June 2, 1971, making ¶ 15 of the Amended Complaint moot.

The L-O-F/Shatterproof license (PX-1, ¶ 4) further provided for an accounting of royalties due from the effective date of the Shatterproof license, January 1, 1954 to January 31, 1955. (Plaintiff styles this a retroactive license). The agreement (¶ 12) likewise provided a waiver for damages or royalties due prior to January 1, 1954, the waiver for past infringement being valued by the parties at $35,000 to $40,000.

Thus, the L-O-F/Shatterproof license, and the combined effect of the L-O-F/Ford agreements contain the same elements from their respective effective dates, to wit:

1) a release or waiver for past infringement claims for adequate consideration;

a) in L-O-F/Ford - $460,000;

b) in L-O-F/Shatterproof - a waiver and license agreement;

2) an accounting for royalties due from the respective effective dates to the date of execution;

3) a license for future use of the various patents for stated royalties.

Each agreement, by whatever name it is called (the names: license, release, waiver, waiver of damages, covenants not to sue, are not controlling), has certain effects.

It is the nature of the document(s) which controls and determines whether an instrument is a release or covenant not to sue (Couch on Ins. 2d, 60:2). A failure to sue for ongoing infringement, where others are paying royalties for the same infringed patents, may be construed as a present license (*The DeForest Co. v. United States*, 273 U.S. 236, at p. 241). This construction has prospective application of the 'favored nations' clause, and was recognized by the parties in granting Shatterproof the lower royalties granted to Ford from the effective dates of their respective agreements, whether the royalties be paid from the date of execution or from the effective dates.

This leaves, as the crux of the cause, the Court's determination of the effect of the releases granted by L-O-F to Ford, and the releases in conjunction with the 1931-1950 L-O-F/Ford royalty-free exchange.

It is Shatterproof's claim that in the 'heretofore granted' phraseology of the 'favored nations' clause, that these two documents together constitute a royalty-free license to Ford from 1931 to 1962 and thereafter, and that Shatterproof is entitled to a full refund of royalties on the applicable patents; mainly Pearse '297 and claim 8 of Jendrisak '607.

The Supreme Court in discussing releases of contributory infringers of patents, has dealt with infringers as being a specie of tortfeasor and considers a release for past infringement a tort action settlement.

The Court therefore concludes that the release given by L-O-F of claims for past infringement by Ford, for the

period prior to January 1, 1961, did not constitute a license within the meaning of the 'favored nations' clause of the Shatterproof license. As a result, the 'favored nations' clause did not apply to said release. *Aro Mfg. Co. v. Convertible Top Co.*, 377 U.S. 476 (1964); *DeForest Radio Tel. Co. v. United States*, 273 U.S. 236 (1927); *Universal Oil Products Co. v. Vickers Petroleum Co.*, 19 A. 2d 729 (Sup. Ct. Del. 1941).

Even if the release were construed to be a license operating retroactively, the release would constitute a license to Ford only with respect to claims 10, 13 and 14 of the Pearse patent for an undetermined period of time; whereas under the terms of the Shatterproof license, all 15 claims of said patent were available for use. Shatterproof used 12 claims of Pearse during each of the years 1954-1965. Such "license" with respect to claims 10, 13 and 14 of the Pearse patent did not contain any more favorable terms or rates of royalty than were granted by L-O-F to Shatterproof. 69 C.J.S. 730, ¶ 216; *Leeds & Catlin v. Victor Talking Machine Co.*, 213 U.S. 301, 302 (1909).

The license granted by L-O-F to Ford in 1931 was limited to a license to use L-O-F patents to manufacture laminated glass, and did not cover any of the patents licensed in 1955 to Shatterproof. *Baldwin Rubber Co. v. Pain & Williams Co.*, 107 F. 2d 350, 353 (C.A. 6, 1939). As a result, the 'favored nations' clause of the Shatterproof license did not apply to the Ford license. The failure of L-O-F to notify Shatterproof that as a part of its settlement with Ford in 1962, L-O-F agreed that Ford had a limited license under said agreement with respect to three patents licensed to Shatterproof, was not a material breach of the 'favored nations' clause.

Even if the 1931 license to Ford was construed as covering any patent licensed to Shatterproof, the terms of such license included the grant by Ford of a cross-license to L-O-F and the consent by Ford to the acquisition by L-O-F of the Triplex patents. *Prestole Corp. v. Tinnerman Products, Inc.*, 271 F. 2d 146 (C.A. 6, 1959). The 1931 license to Ford did not contain any more favorable terms or rates of royalty than were granted by L-O-F to Shatterproof.

The Court concludes that L-O-F did not violate the 'favored nation' provisions of the L-O-F/Shatterproof license.

The Court further concludes that the failure to reveal the existence of the 1931-1950 cross-license agreement, which had been mutually cancelled by Ford and L-O-F prior to any negotiations on any of the new licenses, is not a breach of the 'favored nations' clause.

The Court also concludes that as the sums paid by Ford for the release were to be considered royalties, the amount allocable to the various patents and claims are incalculable.

The claims asserted by Shatterproof, with respect to the 1962 Ford release and with respect to the 1931 Ford license, were unliquidated claims. The allowance of prejudgment interest, and the determination of the appropriate rate of interest is properly allowable and in the discretion of the Court. *Abell v. Anderson*, 148 F. 2d 372 (C.A. 6, 1945); *Swartzbaugh Mfg. Co. v. United States*, 289 F. 2d 81 (C.A. 6, 1961). L-O-F is liable to Shatterproof for the legal rate of interest on $80,436.61, from the date of the partial summary judgment to the date the sum was actually paid, i.e., October 13, 1970 to June 2, 1971. See 28 U.S.C., § 1961; Rule 37, Federal Rules of Appellate Procedure.

Defendant L-O-F is entitled to a judgment dismissing this action at the costs of plaintiff Shatterproof, excepting the amount of interest due above.

The foregoing will comprise the Court's Findings of Fact and Conclusions of Law.

IT IS SO ORDERED.

/s/ NICHOLAS J. WALINSKI
United States District Judge

Toledo, Ohio.

APPENDIX B

Supplemental Amended Order of the District Court

(Filed May 22, 1972)

No. C 69-71

IN THE UNITED DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
WESTERN DIVISION

SHATTERPROOF GLASS CORP.,
Plaintiff,

vs.

LIBBEY-OWENS-FORD CO.,
Defendant.

SUPPLEMENTAL AMENDED ORDER

Having been called to the Court's attention that the parties stipulated that there was to be no interest after the date of partial summary judgment, the Opinion and Order of May 18, 1972, is amended as follows:

The fourth paragraph on Page 8 is deleted in its entirety, and the final paragraph on Page 8 where it states "excepting the amount of interest due above" is deleted.

The first line of the third paragraph on Page 8 is modified to change the word "as" to "if."

/s/ NICHOLAS J. WALINSKI
United States District Judge

Toledo, Ohio.

APPENDIX C

Opinion of the Court of Appeals

(Decided and Filed July 31, 1973)

No. 72-1717

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

SHATTERPROOF GLASS CORPORATION,
Plaintiff-Appellant,

v.

LIBBEY-OWENS-FORD COMPANY,
Defendant-Appellee.

APPEAL from the United States District Court for the Northern District of Ohio, Western Division.

Before: PHILLIPS, Chief Judge, WEICK and CELEBREZZE, Circuit Judges.

CELEBREZZE, Circuit Judge. We consider an appeal from a judgment of the District Court for the Northern District of Ohio, Western Division, 350 F.Supp. 60, finding that Appellee, Libbey-Owens-Ford Company (LOF), had not breached a "favored nations" clause in its patent license agreement with Appellant, Shatterproof Glass Corporation (Shatterproof). The clause, included in the parties' 1955 license agreement, provided that LOF would give Appellant the benefit of any more favorable "terms or rates of

royalty" that it might grant to any other licensee.[1] Appellant contends that this clause was breached by LOF on two occasions:

1. When LOF failed to notify Shatterproof of a 1931 license agreement between LOF and Ford Motor Company (Ford) which Shatterproof maintains granted Ford a license for certain patents under more favorable terms than those granted to Shatterproof for the patents.

2. When LOF in 1962 entered into an agreement with Ford in which LOF released Ford from past infringement of certain patents and granted to Ford a license for patents licensed to Shatterproof.

The 1955 agreement between LOF and Shatterproof was made pursuant to and in accordance with a 1948 consent decree in an anti-trust action against LOF and other glass-manufacturing companies. That decree required LOF to grant a license to any applicant and provided that "a reasonable non-discriminatory royalty may be charged." LOF and Shatterproof began negotiations in 1952, culminating in 1955[2] in the license agreement which is the

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1. Paragraph 11 of the license agreement provided:

"LIBBEY-OWENS-FORD agrees that if any license heretofore or hereafter granted by it under any one or more claims of the licensed patents contains any more favorable terms or rates of royalty than granted to LICENSEE hereunder, then LICENSEE shall thereupon have the benefit of such more favorable terms or rates for the same claim or claims, but under no other claims of any of the licensed patents. LIBBEY-OWENS-FORD shall promptly notify LICENSEE of each license granted by it to others that includes any patent or patent claims licensed under this agreement and shall upon request, make available to counsel for LICENSEE, a complete copy of such agreement for inspection."

2. The effective date of the license agreement was January 1, 1954.

subject of this litigation. The agreement granted to Shatterproof a non-exclusive license for more than thirty patents owned by LOF and involving the manufacture of flat glass. Under the terms of the agreement, Shatterproof was granted a royalty-free license for some of the patents and was to pay a royalty for certain other patents.

At about the same time that the LOF-Shatterproof license negotiations began, LOF began negotiating with Ford and in 1962 LOF and Ford executed a license agreement, effective as of January 1, 1961. In accordance with that agreement Ford paid LOF $400,000 for a release for infringement prior to January 1, 1961 of certain listed patents, $60,000 for a release for infringement of claim 8 of patent 2,551,607, and $40,000 for a paid-up license under claim 8 of patent 2,551,607. Ford also took a license from January 1, 1961 under three patents (Pearse et al. patent 2,450,298; Jendrisak patent 2,551,607 (except claim 8); and Bamford et al. patent 2,646,647) at a royalty rate of ½ cent per square foot of glass processed. Shatterproof's license under those patents called for royalty rates of 2 cents per square foot under Pearse, 1 cent per square foot under Jendrisak and 2 cents per square foot under Bamford.

After it had entered into its agreement with Ford, LOF acknowledged that it owed Shatterproof $80,436.62, the amount Shatterproof paid in royalties between January 1, 1961 and April 13, 1962 in excess of the more favorable rates granted to Ford. LOF tendered this amount on condition that it be accepted as full payment for any claims Shatterproof had against LOF. Shatterproof would not accept payment on this condition, and was not paid the money until the District Court ordered payment in 1971.

LOF and Ford had entered into an agreement in 1931 in which a license to use patents owned by LOF was

granted to Ford.[3] This agreement included patents filed by LOF before the cancellation of the agreement in 1950. The interpretation of this agreement was an item included in the negotiations of the present license agreement between Ford and LOF. Ford maintained a strong claim under the 1931 agreement during the negotiations. The final agreement acknowledged that four patents were within the scope of the 1931 agreement. The District Court found that, even if construed as a royalty-free license for patents on which Shatterproof was paying a royalty, the 1931 agreement contained other considerations—the granting of a cross-license by Ford and the consent by Ford to the acquisition of other patents by LOF.

In short, Shatterproof's contention is that, by reason of the equal treatment or favored nations clause in its license agreement with LOF, it must be given the benefit of terms given to Ford. Shatterproof contends, first that it is entitled to pay at the same rates that Ford did for the

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3. The license clause of the agreement provided:

"Libbey-Owens-Ford Company does hereby give and grant to Ford Company, its successors, subsidiaries, and associated companies, to the full extent of Libbey-Owens-Ford Company's right, title and ability so to do, and subject to the terms, conditions and provisions hereof, a non-exclusive right and license, both in the United States of America and foreign countries, except Canada, free from the payment of any royalty, to make, use and sell, but only for use in vehicles of Ford Company's manufacture or for replacement therein, laminated glass or articles of such glass, and to make and use equipment or apparatus for the manufacture of the same, and/or compositions relating to such glass, and the manufacture thereof, and/or a similar license to practice any processes used in the manufacture of the same, under any and all existing letters patent of the United States and foreign countries except Canada, and under any patents granted on present applications for letters patent, now owned or controlled by Libbey-Owens-Ford Company and its subsidiaries, and under any patents and/or applications therefor in respect of inventions which Libbey-Owens-Ford Company may develop prior to the date of the cancellation of this agreement."

period between January 1, 1954 and January 1, 1961; second, that LOF gave Ford a royalty-free license in 1931, concerning which it never informed Shatterproof, and that Shatterproof is entitled to a similar license effective January 1, 1954; and third, that LOF's failure to notify it of the 1931 Ford license and the full terms of the 1962 Ford license, in breach of the LOF-Shatterproof license, entitles it to a refund of all royalties paid in ignorance of its rights.

We first turn our attention to the release of Ford from past patent infringement.

Shatterproof contends that the nature of the document between LOF and Ford, and not its label, is controlling and that properly construed the document is a retroactive license. LOF, on the other hand, counters with the argument that a release operates to compensate a party for damages arising from the tortious use of its patent and that it cannot be construed as a license which implies a consent to the use of the patent.

As the District Court held, a release can, in certain circumstances, have the effect of and be construed as a license. In *DeForest Radio Telephone Co. v. United States*, 273 U.S. 236 (1927), the Supreme Court discussed the circumstances which would result in the application of such a construction:

> No formal granting of a license is necessary in order to give it effect. Any language used by the owner of the patent, or any conduct on his part exhibited to another from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license and a defense to an action for a tort. Whether this constitutes a gratuitous license, or one for a reasonable compensation, must of

course depend upon the circumstances; but the relation between the parties thereafter, in respect of any suit brought, must be held to be contractual and not based on unlawful invasion of the right of the owner. Concede that if the owner had said, "If you go on and infringe my patent, I shall not attempt to enjoin you, but I shall subsequently sue you for infringement," the tort would not be waived—that is not this case. Here the circumstances show clearly that what the Company was doing was not only fully consenting to the making and using by the United States of the patent, but was aiding such making and using and, in doing so, was licensing it, only postponing to subsequent settlement what reasonable compensation, if any, it might claim for its license. The case of *Henry v. Dick*, 224 U.S. 1, in its main point was overruled in the *Motion Picture Patents Company v. Universal Film Company*, 243 U.S. 502; but that does not shake the authority of the language of the Court in the following passage (p 24):

"If a licensee be sued, he can escape liability to the patentee for the use of his invention by showing that the use is within his license. But if his use be one prohibited by the license, the latter is of no avail as a defense. As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee" citing Robinson on Patents, §§ 806 and 808.

In this case the language used certainly indicated the purpose of the Telephone Company not to seek an injunction against infringement, and not to sue for damages therefore, but only to sue or seek for an amicable settlement by payment of just compensation. Such action by the Telephone Company was

a license, and constituted a complete defense against a suit for infringement by the De Forest Company. 273 U.S. at 241-42.

The release given with regard to the Jendrisak patent, No. 2,551,607, fits the *DeForest* rule and has the effect of a license. The release of Ford from any claims of infringement of that patent was in effect a settlement by payment of just compensation for previous use of the patent. The total compensation included a portion of the $400,000 paid for the release from any claims of infringement of that patent (except claim 8) and the $60,000 paid for the release from any claims dealing with claim 8 of the patent. We are not persuaded by the argument that the release cannot be considered a license because the consideration cannot be allocated to the various patents included in the release. Such a result would be contra to our interpretation of *DeForest* and would also be contra to the intent of the 1948 consent decree that no licensee is to pay at more favorable royalty rates. Such a determination would also make evasion of a "favored nations" clause possible.

However, the remaining patents do not exactly fit *DeForest*. It is true that Ford could have obtained a license at any time after the 1948 consent decree and that LOF and Ford were negotiating for the license over a nine-year period. But the difficulty in negotiation stemmed from the interpretation of the parties' 1931 agreement. Ford maintained that it was entitled to a license under that agreement and understandably did not want to pay for another license. As the District Court found, "Ford vigorously resisted any claims of infringement or any concessions in respect thereto." LOF contended, as it does here, that the 1931 agreement did not grant to Ford a license to use patents on which Shatterproof was paying

a royalty. There was no language or conduct on the part of LOF from which it could be inferred that it had consented to an unlicensed use of its patents by Ford. The District Court found no action by LOF that could be construed as secret or fraudulent and Shatterproof does not assert any such actions on the part of LOF. Under the circumstances, the avoidance of lengthy litigation may have been a significant factor in the eventual agreement between Ford and LOF.

LOF further argues that the LOF-Ford agreement is not significantly different in form from the LOF-Shatterproof agreement. Negotiations with the two companies began at approximately the same time, although Shatterproof entered into an agreement much earlier than Ford. In its agreement with Shatterproof, LOF waived "all claims for damages or royalties due for infringement by [Shatterproof] of the licensed patents" prior to the effective date of the agreement. The release executed between LOF and Ford provided for a payment of $400,000 for all claims of infringement of LOF's patents by Ford. Thus, both licensees were released from prior infringement. This did not take into consideration, however Ford's prior license and its agreement to pay a much lower royalty rate. We find that the terms of the release and license between Ford and LOF were affected in large part by their agreement as to what rights were contained in the 1931 license. Shatterproof's rights must be determined from viewing both the 1931 license and the 1962 release-license.

We turn then, to the 1931 LOF-Ford license agreement. This agreement does, if it includes some of the same patents licensed to Shatterproof, fall within the most favored nations clause which relates to any licenses "heretofore or hereafter granted." The District Court determined that the agreement was limited to a license to manufacture

laminated glass, and that none of the patents licensed in 1955 to Shatterproof were included in the agreement. We disagree with this interpretation of the agreement. The contract expressly licensed Ford to "make, use and sell . . . laminated glass *or articles of such glass,* and to make and use equipment or apparatus for the manufacture of the same." (Emphasis added). This language does not limit the license to the use of patents related only to the process of lamination. It specifically licenses Ford to make articles of laminated glass. LOF raises the argument that at the time the agreement was entered into, glass-bending processes were unknown. However, the agreement was not limited to patents existing at that time.[4] It also included "any patents and/or applications therefor in respect of inventions which Libbey-Owens-Ford Company may develop prior to the date of the cancellation of this agreement." The agreement was cancelled in 1950 but Ford retained a license for the patents applied for prior to the date of cancellation.

We do not find the wording of the agreement ambiguous. Patents or processes developed before 1950 which dealt with the manufacture of laminated glass or articles of laminated glass were included in the license clause. The Ryan patent, No. 2,392,770 (applied for February 2, 1942, granted January 8, 1946), relates to a "process for producing bent laminated safety glass." The claims specifically refer to the simultaneous bending of two sheets of glass, with at least one of the sheets coated with a

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4. Although no definition was contained in the 1931 agreement, in the 1948 antitrust decree, the Court defined laminated glass as follows: " 'Laminated' or 'safety glass' means a clear transparent glass which is made of two or more pieces of flat glass bonded to plastic material interposed between them, or any size, quality or thickness thereof, whether substantially flat or bent." In the period between 1931 and 1948, the process of glass bending had been developed.

water-soluble material to facilitate the cleaning of the sheets after bending and just prior to lamination. The Pearse Patent, No. 2,450,297 (applied for December 19, 1941, granted September 28, 1948), relates to an "apparatus for bending glass." The claims relate to methods of shielding portions of the glass during the bending process. The apparatus is used in the manufacture of glass which is then laminated as well as glass used for other purposes. The license agreement was not limited to processes used exclusively in the manufacture of articles of laminated glass. We find, therefore, that this patent was also included in the license, to the extent that it was to be used for making articles of laminated glass.[5]

Ford and LOF, in negotiating their 1962 license agreement, made certain concessions with respect to the 1931 document. LOF agreed that the 1931 license "grants [Ford] the right and license to make (but not have made), use and sell glass under [U.S. Patents Nos. 2,593,525 (Beckham), 2,593,405 (Beckham), 2,636,420 (Ryan)." These three patents, relating to the manufacture of

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5. The District Court determined that the 1962 release applied only to three claims of the Pearse patent, whereas Shatterproof had a license to use all fifteen claims of the patent. This determination is supported by a letter from LOF to Ford dated April 13, 1962, in which LOF referred to its observation of Ford's windshield operations in 1958. The letter stated LOF's position that three claims of the patent were being infringed. If we were dealing only with the release, we could not accept Shatterproof's contention that it is of no consequence whether three or all fifteen claims were infringed. Infringement of one claim of a patent does not constitute infringement of all the claims. Each claim of a patent is an independent invention. "One may be infringed, others not, and the redress of the patentee is limited to the injury he suffers." *Leeds and Catlin Co. v. Victor Talking Machine Co.*, 213 U.S. 301, 319 (1909). If an infringer could obtain a right to use another's patent by infringing on part of it, the necessity of obtaining a license would be meaningless. The fact that the agreement released Ford from all claims of eighteen patents is not controlling. Ford, however, was asserting that no infringement had taken place because under the 1931 license it had a right to use all the claims of the patent.

a shaded, laminated windshield, had been licensed to Shatterproof. One other patent was agreed to be within the 1931 license, but it was not licensed to Shatterproof. Ford agreed not to assert under the 1931 agreement any right or license to use any patents included in the 1962 license. Thus, there is an agreement between Ford and LOF as to which patents will be covered by the 1931 license. This is not, the same as an actual interpretation of the license, but a settlement between the parties to avoid litigation. We find, however, that the three patents (2,593,525; 2,593,405, 2,636,420) were licensed under the 1931 agreement. Thus, under the 1931 agreement, Ford was licensed to use a total of five patents that have been licensed to Shatterproof in 1955.[6]

A determination that five patents licensed to Shatterproof were within the Ford-LOF agreement does not end the inquiry. It must be determined whether Ford's license was at "more favorable terms or rates of royalty" than Shatterproof had paid. Looking solely at rates of royalty, we have the following comparison of royalty per square foot for finished product:

Patent	1931 Ford-LOF royalty rate	1955 LOF-Shatterproof royalty rate
2,392,770 (Ryan)	Royalty-free	½ cent
2,450,297 (Pearse)	"	2 cents
2,593,405 (Beckham)	"	2½ cents
2,593,525 (Beckham)	"	2 cents
2,636,420 (Ryan)	"	1 cent

6. Shatterproof does not assert that the Jendrisak patent, No. 2,551,607, was included in the 1931 agreement. Of the five patents found to be within that agreement, Shatterproof actually used and paid royalties on only two—patents 2,392,770 (Ryan) and 2,450,297 (Pearse). Since no royalties were paid on the other three patents, the fact Ford had a license at more favorable rates did not result in any damages to Shatterproof.

The rate to be paid on the Pearse patent has been reduced, effective January 1, 1961, to ½ cent per square foot, pursuant to the 1962 Ford-LOF license.[7] The District Court found that the 1931 license contained no more favorable terms or rates of royalty because "the terms of such license included the grant by Ford of a cross-license to LOF and the consent by Ford to the acquisition by LOF of the Triplex patents." In *Prestole Corp. v. Tinnerman Products, Inc.*, 271 F.2d 146 (6th Cir. 1959), we held that the value of technical assistance given should be included in determining whether a new licensee had been given more favorable rates. We adopted certain definitions of a royalty:

> "* * * A royalty is a payment proportionate to the use of a patented device. Western Union Telegraph Co. v. American Bell Telephone Co., [1 Cir.] 125 F. 342, 348." Tesra Co. v. Holland Furnace Co., 6 Cir., 73 F.2d 533, 554.
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> "* * * 'Royalty' when used in connection with a license under a patent, means the compensation paid by the licensee to the licensor for the use of the licensor's patented invention * * *" Hazeltine Corp. v. Zenith Radio Corp., 7 Cir., 100 F.2d 10, 16.

We think that adopting these definitions of royalty and considering a royalty as the cost, consideration, compensation, or price paid or incurred for a license, the specified rate should not be the sole criterion by which to determine what was in fact the price

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7. The rate on the Ryan patent was not reduced since Ford did not take a license on that patent in the 1962 agreement. Also, Shatterproof's royalty rate on patent No. 2,551,607 (Jendrisak) was reduced, effective January 1, 1961, from 1 cent per square foot to ½ cent per square foot.

> paid for the license. By furnishing at its own expense the assistance given, Tinnerman certainly was reducing the amount it was receiving, or charging, for the use of its patents, and was likewise reducing the cost, or price paid by Illinois for such use. Royalties, being the price or compensation to be paid were, therefore, reduced and Illinois was given more favorable royalty terms than the recited six percent. 271 F.2d at 152.

In determining, then, whether Shatterproof is entitled to any more favorable "terms or rates of royalty," the full consideration paid by each licensee must be considered. Shatterproof's consideration was a specified rate of royalty. Ford's consideration was the granting of a royalty-free license to use certain patents it owned. In addition, a portion of the $400,000 paid for the release must be considered as compensation for the license. Thus, the consideration in each case was certainly different. But the question to be determined is whether one was more favorable than the other. Only by a comparison of the value of the consideration given in each instance can it be determined whether Shatterproof is entitled to more favorable rates. We are unable from the record to determine how the District Court arrived at its conclusion that the "1931 license to Ford did not contain any more favorable terms or rates of royalty than were granted by L-O-F to Shatterproof." Nor can we accept the finding that the amounts allocable to the various patents included in the release are incalculable. These findings are not supported by the record and the matter must be remanded to the District Court for a determination in this regard.

At this point a question arises concerning where the burden of proof lies. Under the general rule, Shatterproof, as plaintiff, had the burden of proving that LOF had

breached its contract. Shatterproof has shown that LOF failed to notify it concerning the 1931 license to Ford and that the 1931 license included patents which had been licensed to it. *See St. Joseph Iron Works v. Farmers Mfg. Co.*, 106 F.2d 294 (4th Cir. 1939). The remaining element of proof relates to whether the license to Ford was at more favorable terms or royalty rates. The evaluation of the considerations paid and the allocations of the payments to the various patents can be done much more readily by LOF. We find that it would be placing an "unfair and unrealistic burden" on Shatterproof to require it to prove that other licensees were given more favorable royalty terms. *Erving Paper Mills v. Hudson-Sharp Machine Co.*, 332 F.2d 674, 677 (7th Cir. 1964), *cert denied*, 379 U.S. 946 (1964). "The ordinary rule, based on considerations of fairness, does not place the burden upon a litigant of establishing facts peculiarly within the knowledge of his adversary." *United States v. New York, New Haven & Hartford R.R.*, 355 U.S. 253, 256 n. 5 (1957); *United States v. Hayes*, 369 F.2d 671, 676 (9th Cir. 1966); *Erving Paper Mills v. Hudson-Sharp Machine Co.*, 332 F.2d 674, 678 (7th Cir. 1964), *cert. denied*, 379 U.S. 946 (1964). On remand, therefore, LOF will have the burden of proving that Ford was not given a license to use any of the patents licensed to Shatterproof under more favorable terms or royalty rates. If it is found that Ford's terms were more favorable, Shatterproof will be entitled to a refund of excess royalties paid for its license.

Shatterproof also contends that it is entitled to interest from April 13, 1962 on the judgment of $80,436.61. Pre-judgment interest is generally within the discretion of the District Court, *Abell v. Anderson*, 148 F.2d 372 (6th Cir. 1945). However, we find that the District Court

abused its discretion in not granting interest on its judgment. The amount due was acknowledged by LOF on July 20, 1962 and it wrongfully withheld payment of the money when it demanded that Shatterproof accept it as payment in full for any debt owed, thereby causing the delay. LOF has had use of the money and payment of interest from the date due should be part of the damages. *See Royal Indemnity Co. v. United States*, 313 U.S. 289, 296-97 (1941); *United States v. Eastern Air Lines, Inc.*, 366 F.2d 316, 321 (2d Cir. 1966). LOF did make a tender of the amount due but this tender was conditioned on Shatterproof's acceptance of it as full compensation. Rejection of an inadequate tender does not discharge the debtor of his liability on the debt. *United States v. Eastern Air Lines, Inc., supra*, 366 F.2d at 321. We have previously held that a tender in the proper amount does not discharge subsequent liability if it is conditioned on a demand that the payment be accepted as full satisfaction for the debt. *Caine v. John Hancock Life Insurance Co.*, 313 F.2d 297, 302 (6th Cir. 1963). We find, therefore, that Shatterproof is entitled to interest on $80,436.61 from April 13, 1962. The decision of the District Court is reversed and the case is remanded for the purpose of determining whether under the 1931 license and the 1962 release Ford obtained more favorable terms or rates of royalty than Shatterproof did under its 1955 agreement.

APPENDIX D

Judgment Entry of the Court of Appeals

(Filed July 31, 1973)

No. 72-1717

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

SHATTERPROOF GLASS CORPORATION,
Plaintiff-Appellant,

vs.

LIBBEY-OWENS-FORD COMPANY,
Defendant-Appellee.

JUDGMENT

APPEAL from the United States District Court for the Northern District of Ohio.

THIS CAUSE came on to be heard on the record from the United States District Court for the Northern District of Ohio and was argued by counsel.

ON CONSIDERATION WHEREOF, It is now here ordered and adjudged by this Court that the judgment of the said District Court in this cause be and the same is hereby reversed and the case is remanded for further proceedings.

It is further ordered that Plaintiff-Appellant recover from Defendant-Appellee, the costs on appeal, as itemized below, and that execution therefor issue out of said District Court.

Entered by Order of the Court

/s/ JAMES A. HIGGINS
Clerk

APPENDIX E

Order of Court of Appeals Denying Rehearing

(Filed September 14, 1973)

No. 72-1717

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

SHATTERPROOF GLASS CORPORATION
Plaintiff-Appellant,

vs.

LIBBEY-OWENS-FORD COMPANY,
Defendant-Appellee.

ORDER

Before: PHILLIPS, Chief Judge, and WEICK and CELEBREZZE, Circuit Judges.

This cause came on to be heard on Defendant-Appellee's petition for rehearing, together with the suggestion for rehearing en banc, and no Judge having requested that a vote be taken, the Court finds that said petition is not well taken and should be denied.

It is therefore ORDERED that said petition for rehearing be and is hereby denied.

Entered by order of the Court.

/s/ JAMES A. HIGGINS
Clerk